

29 June 2016

IL SECOLO XIX

QUOTIDIANO GENOVA

4 questions

A ray of sunshine but the storm's not over yet

**And 4 answers from
Luca Riboldi**

Chief Investment Officer
at Banor SIM



Was yesterday's rise just a rebound or the end of the turbulence caused by Brexit? What role did central banks play in the performance?

"It's not too premature to say that the turbulence has ended. Yesterday's rise was a rebound that indicates that volatility on the markets, especially the stock markets, is still very high. And, as we know, volatility is never a good sign. Dips and sudden bounces are nothing other than an expression of the uncertainty that characterises future scenarios and influenced yesterday's performance: the fears generated by Brexit can still be felt. In this scenario there's little the central banks can do: their influence on stock markets is practically zero".

What signals will tell us that the turbulence has ended?

"To put it simply, the end of the volatility. Let's consider how the year began: with extremely high volatility generated by the collapse of the Chinese currency and the markets in China. A situation that triggered a chain reaction on all the markets, with a particularly violent impact on commodities and oil. After the January-February period, in March-April we saw the markets recover, especially the commodities and oil market, which, as we can see, is the one suffering least after the British vote".

How long will it take for this to happen?

"It's impossible to predict when the situation will calm down. There are too many, and highly diverse, potential scenarios. The main new development that emerged after the English referendum is that for the first time in years the ball has passed from the central banks' to the governments' court. Politics is currently playing a key role in designing future scenarios in Europe. The fact that Juncker himself wasn't invited to the meeting on Monday, and that decisions are moving from the European Commission to the Council, is symptomatic of this. Decisions, in short, are being taken by governments, by politics: a return to the origins".

What role did speculation play in the last few sessions?

“The most favourable climate for speculation is a climate of volatility. But the wholesale collapse of the stock exchanges on Friday was caused not by speculation but by the fact that the great majority of operators and investors didn’t expect the outcome of the vote and reacted by offloading positions to reduce risk. We are, and remain, convinced that 2016 is, in general, a trading year. It will go on being that way until we manage to beat deflation, i.e., until the central banks and governments manage to create a favourable climate for economic growth without deflation”.

Text compiled by **Marco Frojo**